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1971-72

47th ANNUAL REPORT

YEAR ENDED MARCH 31, 1972



standard

STANDARD BROADCASTING CORPORATION LIMITED

STANDARD BROADCASTING CORPORATION LIMITED 1971-72

Directors

George Montegu Black, Jr.
T. N. Beaupré
G. Allan Burton, D.S.O., E.D.,
W. C. Thornton Cran, F.C.A.
Pierre P. Daigle
Hon. George B. Foster, Q. C.
W. Leo Knowlton, Q. C.
A. Bruce Matthews, C.B.E., D.S.O., E.D.
John A. McDougald
Maxwell C. G. Meighen, O.B.E.

Officers

Chairman of the Board, John A. McDougald
President, W. C. Thornton Cran
Vice-President, Donald H. Hartford
Vice-President, Hollis T. McCurdy
Vice-President, R. R. Moody
Vice-President, J. Lyman Potts
Vice-President Finance, Secretary and
Treasurer, J. M. Packham, C.A.
Assistant Treasurer, Mrs. M. M. MacRae

Transfer agent and registrar

Crown Trust Company, Toronto and Montreal

Auditors

McDonald, Currie & Co.
Chartered Accountants, Toronto

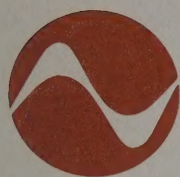
Bankers

Canadian Imperial Bank of Commerce
The Royal Bank of Canada
The Bank of Montreal

Subsidiary companies

CFRB Limited, Toronto
CJAD Limited, Montreal
Standard Broadcast Sales Company Limited, Toronto
and Montreal
Canadian Standard Broadcast Sales Inc., New York
Standard Broadcast Productions Limited, Toronto
Standard Sound Systems Company Limited, Montreal
Standard Broadcasting Realty Limited, Toronto
Standard Broadcasting Corporation (U.K.) Limited, London

The Annual Meeting of Shareholders will be held at the
Royal York Hotel (Territories Room), Toronto on
Wednesday, June 21, 1972 at 12:00 noon.



COMPARATIVE HIGHLIGHTS

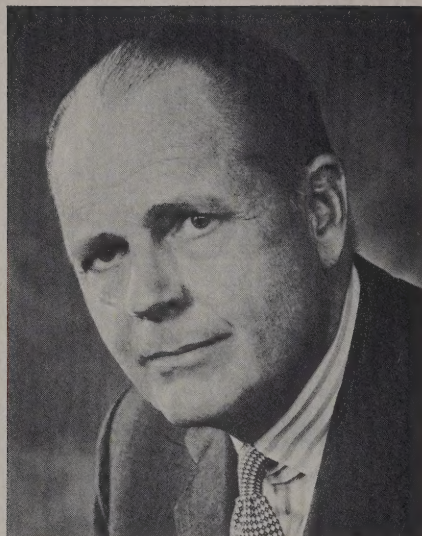
	1972	1971
Gross revenue - - - - -	\$13,183,045	\$12,929,260
Depreciation and amortization - - - - -	295,808	308,093
Operating profit - - - - -	5,742,538	5,187,390
Income from investments - - - - -	347,645	475,653
Income taxes - - - - -	3,001,100	2,947,300
Net earnings - - - - -	3,089,083	2,715,743
Dividends - - - - -	2,192,022	1,961,975
Number of shares outstanding - - - - -	5,624,500	5,610,100
Number of shareholders - - - - -	2,052	2,317
Earnings per share - - - - -	.549	.484
Dividends per share—regular - - - - -	.29	.25
—special - - - - -	.10	.10
Working Capital - - - - -	\$ 9,122,395	\$ 8,760,334

TEN-YEAR COMPARATIVE STATEMENT OF EARNINGS

(000 omitted)

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Gross revenue - - - - -	\$13,183	\$12,929	\$12,147	\$10,661	\$8,984	\$7,615	\$6,523	\$5,769	\$5,338	\$4,460
Operating costs and expenses	7,145	7,434	7,130	6,119	5,268	4,504	3,825	3,397	3,297	2,918
Depreciation and amortization	296	308	363	272	262	260	261	263	347	173
Operating profit - - - - -	5,742	5,187	4,654	4,270	3,454	2,851	2,437	2,109	1,694	1,369
Income from investments - -	348	476	464	370	301	196	127	82	70	64
	6,090	5,663	5,118	4,640	3,755	3,047	2,564	2,191	1,764	1,433
Provision for income taxes - -	3,001	2,947	2,654	2,513	1,951	1,564	1,341	1,122	917	744
Earnings before extraordinary items - - - - -	3,089	2,716	2,464	2,127	1,804	1,483	1,223	1,069	847	689
Extraordinary items—net of tax	—	—	—	163	115	—	46	—	—	—
Net earnings for the year - -	\$ 3,089	\$ 2,716	\$ 2,464	\$ 2,290	\$1,919	\$1,483	\$1,269	\$1,069	\$ 847	\$ 689
Dividends paid—regular - -	\$ 1,630	\$ 1,401	\$ 1,175	\$ 697	\$ 471	\$ 402	\$ 339	\$ 274	\$ 215	\$ 204
—special - -	562	561			557					
Earnings Per Share (based on number of shares outstanding at end of year)										
—Before extraordinary items	\$.549	\$.484	\$.440	\$.381	\$.324	\$.272	\$.227	\$.199	\$.158	\$.128
—Net earnings for the year -	.549	.484	.440	.410	.345	.272	.235	.199	.158	.128

REPORT TO THE SHAREHOLDERS



Chairman of the Board
JOHN A. McDOUGALD



President
W. C. THORNTON CRAN

In this, our 47th Annual Report covering the year ended March 31, 1972, your Directors are pleased to present the results of another excellent year in the history of your Company.

Net earnings were \$3,089,083, an increase of 13.7% over the previous year. Net earnings per share were 54.9¢ which compared with 48.4¢ in the previous year. In March, 1972, the dividend rate was increased from 28¢ to 32¢ per share and, at the same time, your Directors approved a Special Dividend of 10¢ a share.

In the last quarter of the financial year advertiser-demand was weakened by the discontinuance of cigarette broadcast advertising. While this business is not easy to replace, your Directors note with pleasure that consolidated revenue in the fourth quarter exceeded that of the preceding year. Despite the loss of cigarette advertising, sales booked in advance on your Company's stations as of March 31, 1972, corresponded to the figure of the year before.

Toronto Radio

CFRB celebrated its 45th Anniversary by continuing to remain in a dominant position in the Toronto market area. The huge audience that loyally listens to CFRB, and in many cases to no other station, places it in a class by itself in Canada and as such it is the envy of the industry. The responsibility of maintaining that leadership is successfully handled by the excellent staff and management of CFRB. Your Directors are also extremely pleased with the continued growth in audience and revenues of CKFM. CKFM's new transmitting tower and equipment has been operating since December, 1971, from the top of Commerce Court in downtown Toronto. Response from both new and old listeners has been most encouraging.

Montreal Radio

CJAD recorded satisfactory growth in revenues and once again leads all other stations, English or French, in prime-time audience in Metropolitan Montreal. Radio Station CJFM has yet to obtain the audience we believe possible but meanwhile the station continued to operate profitably.

Other Operations

Standard Broadcast Sales Company Limited and its U.S. counterpart, Canadian Standard Broadcast Sales Inc., continued to show positive growth

in the face of the loss of cigarette advertising. The contribution to consolidated profit from these sales companies was material. The sale of advertising in the U.S.A. on the CBC and independently owned TV stations has shown satisfactory increases.

Standard Sound Systems Company Limited continued to operate the Muzak franchise in Eastern Canada. During the year this company added significantly to its accounts in Quebec City. Your Directors look forward to improved growth in the future.

Standard Broadcast Productions Limited provided leadership to our Standard Broadcast News Service, assisted as always by the excellent work of its Ottawa news staff and the newsmen of CFRB, CJAD and the other stations across Canada affiliated with the service.

Growth of The Canadian Talent Library, a non-profit trust, has been encouraging. More than 1,900 selections by Canadian musicians and artists have been recorded since the inception of CTL. Some 227 stations now subscribe including the recent addition of several stations in the Yukon and Northwest Territories.

As the introduction of commercial radio drew closer in the United Kingdom the activities of your subsidiary company, Standard Broadcasting Corporation (U.K.) Limited increased. The granting of commercial broadcasting licenses in certain major U.K. markets is expected within the next 12 months and we are seeking opportunities to participate.

For some time your Directors have considered Ottawa as a radio market in which your Company should participate. As an initial step we have recently offered to purchase a minority interest in CKOY Limited, Ottawa, subject to the necessary approvals.

Real Estate

During the year your Directors considered it advisable to incorporate a subsidiary for the purpose of holding land previously owned by other companies in the group. An independent appraisal of the land owned by CFRB Limited in Mississauga, Ontario, indicated a value of \$2,000,000 based on the zoning in effect as of December 1, 1971. This land was transferred at the appraised value to our real estate subsidiary, Standard Broadcasting Realty Limited, in March, 1972. Your

Directors are studying the possible development and use of land surplus to our broadcasting requirements.

Pension Plan

Your Directors fully appreciate the vital contribution of our employees to this great record of success. Accordingly, with effect January 1, 1972, they authorized a complete revision of the Company's pension plan to provide a wider range of benefits. In particular, your Directors approved of the introduction, both before and after retirement of pensions to surviving spouses of deceased employees. In addition, pensions are now keyed to the final average earnings of employees in order to offset in some measure the potential erosion of pensions by inflation. The substantial cost to the Company for funding the past service portion of the revised plan, \$1,000,765, less income taxes recoverable, was charged against reinvested earnings. All increases in contributions to the plan will be borne by the Company.

Management

Your Directors are pleased to announce that several changes were made in the management of your Company during the past year. Appointed Vice-Presidents of your Company were Mr. Richard R. Moody, President of Standard Broadcast Sales Company Limited and Mr. J. Lyman Potts, President of Standard Broadcast Productions Limited and Managing Director of Standard Broadcasting Corporation (U.K.) Limited. Mr. James M. Packham joined the Company as Vice-President Finance, Secretary and Treasurer, last fall. Mr. Stanley Roman was recently appointed President of Standard Sound Systems Company Limited.

After serving for a number of years as a Director, the Hon. George B. Foster, Q.C., has expressed his desire to be relieved of this responsibility and not to be nominated for re-election at the forthcoming Annual Meeting. During Mr. Foster's long association with your Company his loyalty and counsel have contributed in a large measure to its success. It is therefore with great regret that your Directors have deferred to Mr. Foster's wishes.

It is proposed to nominate Mr. Alex E. Barron as a Director of the Company at the Annual Meeting of Shareholders on June 21, 1972.

Outlook

The 1972/73 outlook for the Standard Group appears favourable.

As always, our ability to succeed depends on the enthusiasm and response of all our employees to the challenges at hand. Your Directors retain full confidence in the abilities of all those associated with the Standard Group and would like to take this opportunity of expressing their appreciation and thanks for the successes of the past year.

John A. McDougald
Chairman of the Board

W. C. Thornton Cran
President

May 17, 1972.



STANDARD BROADCASTING CORPORATION LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET

Assets

CURRENT	1972	1971
Cash - - - - -	\$ 203,426	\$ 177,213
Marketable and short-term investments—at cost (market value 1972 \$7,863,594, 1971 \$7,771,243)	7,921,594	7,819,243
Accounts receivable - - - - -	2,261,547	2,173,966
Inventories—at the lower of cost and net realizable value - - - - -	24,013	40,704
Prepaid expenses - - - - -	229,185	197,585
	10,639,765	10,408,711
OTHER INVESTMENT—at cost - - - - -	131,000	131,000
DEFERRED INCOME TAXES - - - - -	60,400	64,200
FIXED—at cost		
Buildings and equipment - - - - -	4,764,952	4,277,995
Less: accumulated depreciation - - - - -	2,843,330	2,588,078
	1,921,622	1,689,917
Leasehold improvements, less amortization - -	229,444	244,731
Land - - - - -	336,184	256,110
	2,487,250	2,190,758
INTANGIBLE		
Franchise—at cost - - - - -	531,000	531,000
	\$13,849,415	\$13,325,669

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Standard Broadcasting Corporation Limited and subsidiary companies as at March 31, 1972 and the consolidated statements of earnings, reinvested earnings, and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

CE SHEET

as at March 31, 1972

Liabilities

CURRENT

1972

1971

Accounts payable and accrued liabilities - - -	\$ 504,181	\$ 374,009
Income taxes - - - - - - - - -	779	320,651
Dividends - - - - - - - - -	1,012,410	953,717
	<u>1,517,370</u>	<u>1,648,377</u>
DEFERRED COMPENSATION PAYABLE - - -	<u>491,400</u>	<u>327,600</u>

SHAREHOLDERS' EQUITY

Capital stock

Authorized

10,000,000 common shares without nominal
or par value

Issued and fully paid

5,624,500 shares (1971 5,610,100) - - - 1,215,517 1,120,440

Reinvested earnings - - - - - 10,625,128 10,229,252

11,840,645 11,349,692

See accompanying notes

Signed on behalf of the Board:

\$13,849,415 \$13,325,669

JOHN A. McDOUGALD
W. C. THORNTON CRAN
Directors

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles (except for the treatment of past service pension costs referred to in Note 2 to the financial statements) applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

Toronto, Ontario, May 12, 1972.

CONSOLIDATED STATEMENT OF EARNINGS

	For the year ended March 31	
	1972	1971
GROSS REVENUE - - - - -	\$13,183,045	\$12,929,260
Talent fees, salaries and wages of employees, inclusive of fringe benefits - - - - -	4,154,067	3,895,818
Other operating costs and expenses - - - - -	2,990,632	3,537,959
Depreciation and amortization - - - - -	295,808	308,093
	7,440,507	7,741,870
OPERATING PROFIT - - - - -	5,742,538	5,187,390
INCOME FROM INVESTMENTS - - - - -	347,645	475,653
	6,090,183	5,663,043
PROVISION FOR INCOME TAXES		
— Current - - - - -	2,971,200	2,924,000
— Deferred - - - - -	29,900	23,300
	3,001,100	2,947,300
NET EARNINGS FOR THE YEAR - - - - -	\$ 3,089,083	\$ 2,715,743
EARNINGS PER SHARE - - - - - (based on number of shares outstanding at end of year)	\$.549	\$.484

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

	For the year ended March 31	
	1972	1971
BALANCE—BEGINNING OF YEAR - - - - -	\$10,229,252	\$ 9,475,484
Less: SPECIAL PAYMENT FOR FUNDING PAST SERVICE PENSION BENEFITS, less income taxes applicable thereto of \$499,580 - - - - -	501,185	—
	9,728,067	9,475,484
NET EARNINGS FOR THE YEAR - - - - -	3,089,083	2,715,743
	12,817,150	12,191,227
DIVIDENDS		
— Regular - - - - -	1,629,572	1,400,965
— Special - - - - -	562,450	561,010
	2,192,022	1,961,975
BALANCE—END OF YEAR - - - - -	\$10,625,128	\$10,229,252

See accompanying notes

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

	For the year ended March 31	
	1972	1971
SOURCE OF WORKING CAPITAL		
Net earnings for the year - - - - -	\$3,089,083	\$2,715,743
Add: Items not requiring cash outlay —		
Deferred compensation - - - - -	163,800	163,800
Depreciation and amortization - - - - -	295,808	308,093
Deferred income taxes - - - - -	29,900	23,300
Provided from operations - - - - -	3,578,591	3,210,936
Realization of other investment - - - - -	—	40,000
Proceeds from sale of fixed assets - - - - -	15,741	98,606
Proceeds from issue of shares under option - - - - -	95,077	71,700
	3,689,409	3,421,242
USE OF WORKING CAPITAL		
Deferred income taxes recovered - - - - -	26,100	—
Past service pension payment, less income taxes - - - - -	501,185	—
Additions to fixed assets - - - - -	608,041	540,893
Dividends - - - - -	2,192,022	1,961,975
	3,327,348	2,502,868
INCREASE IN WORKING CAPITAL - - - - -	362,061	918,374
WORKING CAPITAL—beginning of year - - - - -	8,760,334	7,841,960
—end of year - - - - -	\$9,122,395	\$8,760,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the year ended March 31, 1972

1. Principles of Consolidation

These consolidated financial statements include the accounts of Standard Broadcasting Corporation Limited and all its wholly-owned subsidiary companies.

Foreign currencies have been converted at the approximate rates of exchange prevailing at year end.

2. Pension Plan

As of January 1, 1972 the Company's pension plan was substantially revised to provide for improved benefits and widows' pensions. Management decided that the total cost of \$1,000,765 to fund the liability for past service benefits, as actuarially calculated, should be paid to the pension plan trustee immediately in one lump sum, with future increased costs borne entirely by the Company without increased cost to the employees.

The Canadian Institute of Chartered Accountants recommends that past service costs be charged against future operations over a reasonable period of years. However, management considered it preferable (and more conservative) to treat this cost as a charge against reinvested earnings.

